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OUR STATE, OUR FUTURE

Pathways:

Summary of Findings and Recommendations of the North Carolina Government Performance Audit Committee

Raleigh, North Carolina
December, 1992

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PLANNING, BUDGETING, AND PROGRAM EVALUATION

Strategic Planning Process

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. The State's policy planning process is conducted within each department but not at the State level.	▪ Establish a strategic planning process for the State which addresses the following elements: ▪ Vision ▪ Statewide goals ▪ External assessment ▪ Internal assessment ▪ Agency goals ▪ Objectives and measurable results ▪ Planning/budget document ▪ Performance measurement & monitoring	▪ Strengthens the current annual planning process.	3.7
2. The departmental planning process does not provide for participation by the General Assembly or the public.	▪ Create a process for citizen and legislative participation in the planning process through: ▪ Surveys of citizens and clients ▪ Formal legislative debate and comment on the State's "common outlook and assumptions"	▪ Broaden participation in and support for the policy planning process.	3.8

PLANNING, BUDGETING, AND PROGRAM EVALUATION

Performance Budgeting

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
3. The State's *Department Plans* lacks sufficient linkage between resource allocation and implementation.	▪ Include program managers in department planning process. ▪ Establish linkages between planning, budgeting, program delivery and program evaluation processes. ▪ Develop program outcome indicators for the planning process that are identical to those used for ongoing program monitoring.	▪ Encourages program manager participation in implementing the State's plan. ▪ Allows public to comment on and General Assembly to vote on outcome indicators.	3.10
4. The State's budget process makes it difficult for legislators to weigh new priorities against old priorities.	▪ Modify General Assembly rules of procedures to eliminate separate consideration of the continuation and expansion budgets.	▪ Enables legislators to consider the relative benefits and costs of new versus old State priorities.	3.15

PLANNING, BUDGETING, AND PROGRAM EVALUATION

Capital Budgeting Process

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
5. The State uses its personal services budget as a rainy day fund.	• Budget for salaries at expected level of staff utilization. • Appropriate the maximum statutory amount for the State's Savings Reserve (rainy day) Account during the 1993-1995 biennium.	• Ensures that the budget reflects the actual personnel costs for operating State agencies. • Funds the State's Savings Reserve Account in one year rather than in four or five years.	3.17
6. The State's budget format encourages legislators to focus on control issues rather than management and policy issues.	• Require that the Governor submit a budget that focuses on program results and reduces line item detail.	• Produces better information for making appropriations decisions.	3.21
7. The State lacks an effective capital budgeting process.	• Restructure the State's capital budgeting process. • Discontinue use of reversions to finance capital expenditures and budget salaries at expected level of staff utilization. • Develop a debt policy for funding capital needs. • Require the executive branch to conduct a ten year capital needs assessment for the State. • The General Assembly should appropriate from 1.5 to 3.0 percent of the value of state-owned buildings each year for renovation and repair as part of the regular budget process. • The House and Senate should establish an appropriations subcommittee for capital improvements.	• Requires that the State plan for capital expenditures. • Focuses legislative deliberations on capital issues. • Encourages the development and use of consistent criteria for evaluating the merits of capital improvement project requests. • Protects the State's investment in capital assets.	3.27

PLANNING, BUDGETING, AND PROGRAM EVALUATION

Legislative Oversight Focused on Program Results/Outcome Measures for Evaluating Program Results

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
8. Agencies (except for some universities) have no incentive to reduce expenditures.	▪ Expand the single sum appropriation pilot program to other State agencies.	▪ Increases State program efficiencies by utilizing incentives to reduce expenditures.	3.28
9. Transfer restrictions between personnel and non-personnel line items diverts attention from program results.	▪ Amend the State Budget Act to: ▪ Replace line item expenditure control with program expenditure control ▪ Allow transfers between programs of up to 5 percent of the total appropriation	▪ Empowers managers to achieve program goals.	3.30
10. The State lacks a credible statewide approach to monitoring program outcomes.	▪ Develop and monitor the outcome measures for major State programs.	▪ Enables the General Assembly and the public to monitor the effectiveness of State programs.	3.33
11. The State lacks a policy for initiating and conducting periodic in-depth evaluations of program results.	▪ Initiate systematic, in-depth evaluations of program results: ▪ Designate a State entity to be responsible for initiating and overseeing evaluations of program results ▪ Adopt a policy for selecting programs for evaluation and for determining the frequency of evaluations ▪ Establish a mechanism for ensuring that the results of these program evaluations are considered in the State policy, planning, and budgeting processes	▪ Provides for the in-depth evaluation of program results needed for effective legislative and executive oversight.	3.34

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PERSONNEL SYSTEMS

State Personnel Functions

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. The executive branch personnel programs are fragmented.	▪ Coordinate more effectively the human resource management functions. ▪ Centralize policy and agency support. ▪ Decentralize day-to-day management. ▪ Implement a human resource planning function in OSP. ▪ Have Teachers and State Employees' Major Medical Plans report to the State Personnel Director.	▪ Ensures all programs are effective and fully integrated within an overall human resource plan. ▪ Provides managers with appropriate flexibility to manage personnel. ▪ Coordinates recruiting, selecting, organizing, training, and developing of the State workforce. ▪ Allows the State to manage, implement, and evaluate benefit programs from a total compensation perspective.	3.11
2. There are State-wide employment practice inconsistencies and inequities.	▪ Treat temporary employees performing like duties equally. ▪ The General Assembly needs to develop formal human resource management policies and practices.	▪ Restores pay equity for temporary State employees performing similar work. ▪ Alleviates the failings and inequities of General Assembly personnel practices.	3.21

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PERSONNEL SYSTEMS

State Personnel Functions

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
3. The State personnel function lacks the appropriate professional tools, techniques, and experience requirements.	• Define minimum professional qualifications for the candidates for the State personnel director and agency personnel director positions. • Establish a results-based performance measurement system to monitor goal achievement. • Change the title of the "~~Office of State Personnel~~" to the "Office of Human Resource Management." DITTO	• Ensures qualified appointees will lead the State's human resource management functions. • Provides management with the appropriate benchmarks for determining the effectiveness of State policy and practices. • Provides cost effective mechanism for collection and reporting of management information.	3.24
4. The morale among State managers and workers is poor.	• Continue the practice of conducting annual employee opinion surveys and communicate results along with any plans that address the employees' concerns.	• Increase employee awareness of the State's commitment to enhance job satisfaction, increase motivation, and improve job performance.	3.28
5. The State's culture and policies do not discourage patronage considerations in hiring decisions.	• State policy and certification procedures should be enacted to ensure that hiring of non-policy positions be made without regard to political affiliation or influence. • Broaden advertisements of State job openings and lengthen the application period.	• Improves existing State policies on hiring the most qualified applicant and discourages political patronage in non-policy job hirings. • Encourages open competition for available State positions.	3.30

PERSONNEL SYSTEMS

Classification System and Compensation Plan

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
6. The classification system has not had a comprehensive review since 1949 and has an excessive number of classifications.	▪ Develop and implement a new classification and compensation system that includes: ▪ Review and revise laws, policies, and procedures for determining SPA/EPA designations ▪ Assess current university and agency EPA/SPA designations ▪ Consolidate titles within classes and create more generic job titles ▪ Provide for dual (i.e., management and technical) tracks	▪ Determines which jobs are currently paid below, at, or above the competitive market and removes inequities. ▪ Provides a statutory and policy foundation for an effective classification and compensation plan. ▪ Determines which jobs should be SPA or EPA and removes inequities. ▪ Provides management greater flexibility in assigning tasks to employees and provides State employees greater job/career mobility. ▪ Provides State employees greater vertical growth without fostering excessive layers of management.	3.38
7. The State compensation system is heavily weighted toward across-the-board raises and longevity pay.	▪ Eliminate longevity pay and institute a pay-for-perfomance compensation system.	▪ Frees $30 million for performance pay. ▪ Rewards employees for job performance and links the organizational goals and employees' needs rather than rewarding employees for merely staying employed.	3.47

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
8. Eighty-three percent of eligible employees were rated "exceeds expectations" which: ▪ Reduces the effectiveness of the employee performance evaluation process as the mechanism to adequately reward performance ▪ May limit the State's ability to terminate employees	▪ Allow performance increases for employees working "at expectations." ▪ Train managers and personnel specialists on the proper use of the State's performance evaluation/measurement system. ▪ Monitor and report performance increases by EEO protected class categories to ensure non-discriminatory pay practices	▪ Establishes the performance management system as an effective tool for managers to effectively motivate and manage their employees. ▪ Establishes a means for determining the pay increases under a pay-for-performance compensation philosophy. ▪ Ensures that performance pay is *not* used in a discriminatory manner. ▪ Provides an accurate employee record that can be used to substantiate poor performance and termination.	3.51

PERSONNEL SYSTEMS

Employee Benefits

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
9. The State spends an additional $30 million for health care costs over what other employers are paying for equivalent services.	▪ Target utilization of cost-efficient providers. ▪ Create a plan that encourages employees to use cost efficient providers, such as a: ▪ Preferred Provider Organization (PPO) strategy (either directly with a provider organization or indirectly through an insurance company) ▪ Limit payment strategy (limit payment to "average" treatment costs)	▪ Net savings (after implementation costs) of a strategy for utilizing cost efficient providers is estimated to be: ▪ $45 to $64 million in the first year of implementation (FY 93) and $5 to $18 million in annual savings in the subsequent forecast years (FY94 -FY97)	3.52
10. The State has a limited program to minimize catastrophic illness, but it is not structured to achieve substantial costs savings.	▪ Implement an expanded catastrophic care detection and prevention program, targeting certain illness.	▪ Net savings (after implementation costs) of $650 to $850 million are estimated to be realizable over the first five years of the expanded program (approximately $45 million the first year rising to $225 million in 1997). ▪ The medical plan's annual rate of increase will be reduced.	3.63

PERSONNEL SYSTEMS

Employee Benefits

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
11. Employees and retirees are dropping dependent coverage under the indemnity plan.	▪ Conduct a study to determine the most appropriate contribution method. *(This work was performed as part of GPAC issue papers entitled "Employee Medical Program and Retiree Medical Program" found on page xx of this summary.)*	▪ Allows the State to continue offering employees an indemnity plan for their dependents.	3.65
12. The State's benefit program lacks a comprehensive design that allows it to be tailored to employees' needs.	▪ Implement a full flexible benefits plan (cafeteria plan) that includes: ▪ Health ▪ Life insurance ▪ Disability insurance ▪ Dental care ▪ Vision care ▪ Vacation time ▪ Conduct a study to determine changes needed in the current benefit systems, employee communications, and benefits design. ▪ Implement a comprehensive compensation and benefit program evaluation process.	▪ Provides employees a wide latitude in tailoring benefits to fit their individual needs. ▪ Allows the State to implement flexible benefits and maximize employee appreciation. ▪ Enables the State to review its total compensation and benefits package and provide the necessary information to determine a total benefits index.	3.67

PERSONNEL SYSTEMS

Employee Benefits

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
13. The current contribution rates circumvent the intent of the law.	▪ Examine the State's practices with respect to the current law. ▪ Analyze and set the contribution structure annually for each of the following significant groups: ▪ Active employees ▪ Dependents of active employees ▪ Retired employees eligible for Medicare ▪ Retired employees not eligible for Medicare ▪ Disabled retired employees ▪ Dependents of retired employees, eligible for Medicare ▪ Dependents of retired employees, not eligible for Medicare ▪ Determine and implement a contribution philosophy for each group covered under the plan.	▪ Determines if the current law permits contributions to be made for those identifiable segments of the employee population that are incurring the claims. ▪ Identifies the significant groups that are covered under the medical plan. ▪ Ensures the appropriate contribution philosophy.	3.77
14. The administration of the employee pension program is fragmented.	▪ Transfer the Firemens' and Rescue Squad Workers' Retirement Plan to the State Treasurer's Office. *(This was adopted by the 1992 session of the General Assembly.)*	▪ Increases efficiencies of administration at the State Treasurer's Office.	3.78

PERSONNEL SYSTEMS

Training and Development

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
15. The State does not effectively monitor its training and development expenditures nor does it monitor the use of training.	▪ Establish a system to monitor the costs associated with the State's investment in the training and development of its employees.	▪ Allows the State the monitor and track training costs.	3.79
16. The State does not consistently coordinate its training efforts across branches of government nor across agencies.	▪ The OSP should be responsible for developing and coordinating employee training courses that have statewide applicability. ▪ Employee training and development needs for the State should be identified. ▪ Line management should have primary responsibility for identifying individual training needs as a formal part of all performance reviews. ▪ Employee training activities should be continuously evaluated by OSP. ▪ Performance evaluation/measurement training should be increased for all evaluators involved in the employee performance evaluation process. ▪ Ensure that managers, supervisors, and EEO agency representatives are trained in the area of equal employment opportunity.	▪ Ensures the successful implementation of these training courses. ▪ Allows the State to determine training needs. ▪ Allows agencies to identify the training needs of their employees. ▪ Ensures that course content, course administration, facilities, and trainers are needed for current job requirements. ▪ Removes the skewing of performance evaluations that currently makes it ineffective in a reward-for-performance system. ▪ Ensures that managers and EEO representatives are properly trained.	3.81

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PURCHASING ACTIVITIES

Reducing Cost of Goods and Services

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. The State should have a policy for identifying contracting out opportunities.	▪ Formulate a policy for contracting out services that includes a clear statement of purpose, sets forth the goals and objectives, and develops a framework that assesses contracting opportunities.	▪ Contracting out encourages competition and increases efficiencies in administration. ▪ Contracting out responds better to changing service requirements. ▪ Contracting out stimulates innovation.	3.3
2. The Purchase and Contracts Division needs more timely, detailed, and useful information on purchase activity of State agencies and departments.	▪ Develop and implement a management information system on purchase activity by State departments and agencies.	▪ Provides the Purchase and Contracts Division with information to make smart economical orders on commodities purchased on the open market or under term contract by State agencies and departments.	3.6
3. The Purchase and Contracts Division has not aggressively pursued innovative purchasing practices.	▪ The Purchase and Contracts Division should take the lead in aggressively developing innovative procurement practices to: ▪ Reduce inventories ▪ Streamline and reduce ordering costs	▪ Reduces the cost of ordering supplies and services, reduces the volume of inventory maintained by the departments, and increases the quality of products purchased.	3.8

PURCHASING ACTIVITIES

Reducing Cost of Goods and Services

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
4. The State should increase the use of single prime contractors on capital projects.	▪ Thoroughly pursue collecting more detailed information on contracting capital projects: ▪ Expand the information being obtained on capital projects ▪ Develop specific strategies ▪ Set a goal ▪ Develop specific strategies to deal with the necessary legislation changes needed to convert to prime vendor contracting.	▪ Allows the State to review the use of multi-prime and single prime contracts on a definitive and quantifiable basis. ▪ Reduces the additional cost and administrative burden of contracting with multi-prime contractors.	3.12
5. The State should strengthen the controls over use of designers for construction of capital improvement projects.	▪ State Construction Office should develop independent detailed estimates of the expected design costs. ▪ State Construction Office should reevaluate the use of designers to issue construction change orders. ▪ The contract with designers should require the designer to provide a specific plan.	▪ Enables the State to arrive at more precise cost estimates. ▪ Shifts the burden of cost overruns to the design firm. ▪ Ensures adequate inspection during all phases of project construction.	3.16

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PURCHASING ACTIVITIES

Enhancing Quality of Goods and Services

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
6. Purchase and Contracts Division staffing levels have remained constant although the work load has decreased.	▪ The Purchase and Contracts Division should reduce or redirect resources of 11 staff members.	▪ Reflects the decrease in work load and would bring the staffing levels in line with 1989 staffing levels. ▪ $440,000 per year savings.	3.17
7. The State and federal surplus operations are duplicative and should be consolidated to reduce costs.	▪ Further analysis should be performed in an effort to consolidate the State and federal surplus property functions.	▪ $1.7 million for sale of surplus facility and land. ▪ Eliminates redundant staffing. ▪ Eliminates users making trips to two locations.	3.20
8. The amount of time required to procure goods and services is too long.	▪ Reduce the length of time required to process transactions through the following actions: ▪ Provide the requesting agency or department the option to decide whether Purchase and Contracts Division needs to return the bid to the using department before an award is made ▪ Raise the requirement for approval by the Board of Award to $100,000	▪ Reduces the length of time for awarding bids by eliminating the bid summary and raises the approval threshold of awards requiring Board of Award approval to $100,000.	3.23
9. Term contracts result in higher prices to the State.	▪ Negotiate minimum and maximum limits for term contracts.	▪ Improves the effectiveness of term contracts and the responsiveness to needs of agencies and departments.	3.25